

**GROWTH WITH RESILIENCE:
PERSPECTIVES FROM THE
COMMONWEALTH AND THE FRANCOPHONIE
AND RECOMMENDATIONS TO THE G20**

Lino Briguglio
University of Malta
assisted by
Allan Wright
University of the West Indies
and
Gerard Adonis
University of the Seychelles

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EXECUTIVE SUMMARY

This paper presents a brief description the role of the Commonwealth and the Francophonie, in addressing the challenges of building resilient growth among its developing country members. The experience of these two organisations has shown that there are extraordinary challenges in building resilient growth and has highlighted the fact that solutions are complex, require human, institutional and financial resources, political will and international support, if these efforts are to succeed. The paper briefly describes the efforts of the two organisations and in particular the conceptual framework for growth with resilience which has been developed by the Commonwealth Secretariat in collaboration with the University of Malta. This framework identifies the key challenges these countries experience in achieving resilient growth in the context of internal instability and exogenous shocks; and puts forward proposals as to how these countries can better address their growth and resilience challenges. The resilience framework is extensive and as the paper illustrates, has elements which have universal applicability and may be useful for the G20 DWG in pursuing its work on Growth with Resilience. The resilience framework also offers the G20 DWG the opportunity to foster a better understanding of the challenges faced by these countries in pursuing growth and resilience strategies.

Basing on the resilience framework, the paper outlines a set of practical steps which the G20 DWG can consider taking forward, to integrate this framework within its own approach to building growth with resilience; and suggests a series of further practical actions which the G20 DWG may be able to pursue towards this objective.

The paper also presents a series of measures which the Commonwealth and the Francophonie can collectively take, both to support their members and to support global efforts, including those being pursued and promoted by the G20 DWG to strengthen growth with resilience in the worlds' PSMV countries.

The paper recommends two actions of major importance under the “growth with resilience” pillar.

1. An initiative to expand the country-focused Vulnerability and Resilience Profiling exercise launched by the Commonwealth; and
2. An initiative to finance programmes in these countries which foster resilient growth, through the creation of a Growth with Resilience Trust Fund (GRTF)

Own-country Vulnerability and Resilience Profiling exercises, conducted with the support of the Commonwealth Secretariat since 2008 have provided countries with detailed country-specific information on their key vulnerabilities; and has revealed key gaps in their resilience building efforts. The G20 DWG can strengthen efforts to build resilient growth in the world's poorest, smallest and most vulnerable countries through an initiative to progressively expand this tool, enabling developing countries to conduct own-profiling with regard to economic vulnerability and resilience. Such profiling would lead to assessments that could enable the countries profiled to (1) identify the causes and manifestations of economic vulnerability and (2) to assess and evaluate their policy frameworks in order to identify gaps in the countries ability to withstand external shocks. A practical guide as to how the vulnerability/resilience profiling exercise can be carried out has been developed by the Commonwealth Secretariat in collaboration with the University of Malta (Briguglio et al, 2010). Such an exercise, and the reports that would be derived as a result of country profiling, can be adopted as part of the

toolkit in an expanded profiling initiative; and can also serve as a valuable mechanism for the sharing of best practices in resilience building.

The Growth with Resilience Trust Fund (GRTF) could be managed by an appropriate IFI or another institution, with contributions from G20 members. The objective of the fund should be to encourage the poorest, smallest and most vulnerable countries to integrate further into the global economy, while at the same time taking measures to build their resilience against external and internal shocks. The Fund would focus on improving economic governance rather than humanitarian support or to correct for export shortfalls; and would therefore have a strong bias towards institutional and social development. The Fund would assist developing countries through grants and concessionary lending, as well as debt and interest forgiveness schemes. The Fund would relate to building resilience relating to external and internal shocks and to natural hazards.

The paper also proposes that the CS and OIF can help the G20 operationalise its growth with resilience objective by developing an implementable policy framework aimed at promoting sustainable growth in PSMV countries, with particular emphasis on:

- trade stimulation and facilitation;
- human development in general and encouragement of entrepreneurship in particular
- improvement in market efficiency
- technology transfer;
- infrastructural development and management;
- institutional capacity building.

The objectives of the components of the proposed policy framework have been explained above. Trade stimulation and facilitation should enable PSMV countries to participate more effectively and profitably in world trade. The Growth Commission (2008) identified an outward orientation as a major ingredient for growth. The other components of the proposed framework are essential human and physical requirements for economic growth. Human development and encouragement of entrepreneurship are required for the development of a vibrant private sector, while speed in market adjustment is an important requisite for counteraction and absorbing shocks. Technology transfer would enhance the productive efficiency of PSMV countries, improving their chance to compete effectively in world trade. The upgrading of the physical infrastructure and the institutional frameworks in PSMV countries is needed to support a sustainable growth strategy.

A further recommendation to the G20 DWG focuses on encouraging a strong process of G20 DWG outreach in respect of its work on Growth with Resilience. In the context of the extensive analytical, research, consensus-building and advocacy work already being conducted by the Commonwealth and the Francophonie, in the interests of their developing country members, the G20 DWG could consider developing an outreach initiative to coordinate the Growth with Resilience initiatives of the Commonwealth and the Francophonie, with the ongoing Growth with Resilience pillar of DWG work. This could allow for regular contributions by the two associations to the G20 DWG discussions on Growth with Resilience and would enable the views of PSMV countries to be conveyed to the G20 in a structured manner. In addition this would allow the three organisations to further develop the country resilience profiling methodology described in this paper and piloted by the Commonwealth Secretariat. In this initiative, the Commonwealth and the Francophonie can contribute by working together to facilitate the integration of their growth with resilience initiatives with those supported by the G20.

1. INTRODUCTION AND BACKGROUND

The persistence and seemingly increased frequency of shocks, including food, fuel, economic, financial and more recently environmental crises have brought the challenge of achieving growth with resilience to the forefront of global discourse. The challenge has been most acute in countries exhibiting high levels of vulnerability and limited capacity to develop resilience and has been widely experienced among members of the Commonwealth and the Organisation Internationale de la Francophonie, two associations collectively representing about a 100 of the world's poorest, smallest and most vulnerable (PSMV) members. While some developing country members of the two associations have achieved substantial and sustained growth and have demonstrated resilience to exogenous shocks and the capacity to resume trend levels of economic growth relatively soon after these shocks occur, the substantial majority of the PSMV countries in the two associations have exhibited, over a period of several decades, relatively low levels of economic growth, substantial vulnerability to exogenous shocks and a discernable lack of economic, social and environmental resilience in the face of these shocks.

Importantly, increased attention within the Commonwealth and the Francophonie, to overcome the hurdles to building resilient growth, has also been identified and taken up by the G20. At its Seoul Summit in 2009, the G20 has identified Growth with Resilience as the sixth among nine pillars of work, to be pursued by the G20 Development Working Group.¹ The simultaneous focus by the G20, the Commonwealth and the Francophonie on building resilient growth offers opportunities for common endeavour in analysis, research, consensus-building, advocacy and the sharing of information.

This paper begins with a brief description the role of the Commonwealth and the Francophonie, in addressing the challenges of vulnerability and building resilient growth among its developing country members. The experience of these two organisations has shown that there are extraordinary challenges in building resilient growth; and has highlighted the fact that solutions are complex, require human, institutional and financial resources, political will and international support, if these efforts are to succeed.

Within the two associations, efforts to examine both the causes of vulnerability and the challenges in building growth with resilience in the poorest, smallest and most vulnerable members has spurred pioneering, intensive analytical work. The goals has been to develop effective tools for the poorest, smallest and most vulnerable countries in the two associations, in building resilient growth. Developed over an approximately three-decade period of analysis and initially focusing on vulnerability, in recent years the analytical focus has shifted to addressing growth in the context of economic and social resilience. The paper briefly describes these efforts and in particular the conceptual framework for growth with resilience which has been developed by the Commonwealth Secretariat in collaboration with the University of Malta. This framework identifies the key challenges these countries experience in achieving resilient growth in the context of internal instability and exogenous shocks; and puts forward proposals as to how these countries can better address their growth and resilience challenges. The resilience framework is extensive and as the paper illustrates, has elements which have universal applicability and may be useful for the G20 DWG in pursuing its work on Growth with Resilience. The resilience framework also offers the G20 DWG the

¹ <http://www.economicsummits.info/2010/11/seoul-summit-annex-2-g20-action-plan-on-development>.

opportunity to foster a better understanding of the challenges faced by these countries in pursuing growth and resilience strategies.

Having elaborated the resilience framework, the paper outlines a set of practical steps which the G20 DWG can consider taking forward, to integrate this framework within its own approach to building growth with resilience; and suggests a series of further practical actions which the G20 DWG may be able to pursue towards this objective. Finally, the paper describes a series of practical and sequenced steps which the Commonwealth and the Francophonie can collectively take, both to support their members and to support global efforts, including those being pursued and promoted by the G20 DWG to strengthen growth with resilience in the worlds' PSMV countries.

2. THE ROLE OF THE CS AND THE OIF IN DEVELOPING COUNTRIES

2.1 The Commonwealth Secretariat in addressing Small States Issues

The Commonwealth is composed of 54 member countries (of which 32 are small states)² representing 2.1 billion people, aggregating almost a third of the world's population. Commonwealth objectives include the promotion of democracy, human rights, good governance, the rule of law, individual liberty, egalitarianism, free trade, multilateralism, and world peace.

With the large majority of the Commonwealth's membership comprising small, poor and members, a substantial part of its focus on vulnerability, growth and resilience has focused on the 32 small states of the association, where building resilient growth has represented an extraordinary challenge. Over a period of several decades, the Commonwealth has been a pioneer in drawing international attention to the problems faced by small states. Working with a number of development partners, universities and regional organisations, including inter alia the United Nations Department for Economic and Social Affairs, the World Bank, the University of the West Indies, the University of Malta and the Pacific Island Forum, the Commonwealth Secretariat (CS) has enjoyed a long and successful history in ensuring that the issues and challenges facing these countries receive special attention, and that the prospects for these countries in the global economy are effectively addressed.

As a result of these efforts, small states have developed a strong forum within the World Bank, and a small economies work programme within the WTO. The Secretariat has also participated actively in the work programme of the UN small island developing states unit. As a result, the CS is now a trusted partner with regard to advocacy on small states.

In recent years, a key pillar of work within the Commonwealth, of potentially significant value for the G20 DWG in finding effective ways to promote resilient growth in developing

² The Commonwealth is composed of 53 member countries, of which 34 are small states. These are Antigua and Barbuda, Australia, Bahamas, Bangladesh, Barbados, Belize, Botswana, Brunei Darussalam, Cameroon, Canada, Cyprus, Dominica, Gambia, Ghana, Grenada, Guyana, India, Jamaica, Kenya, Kiribati, Lesotho, Malawi, Malaysia, Maldives, Malta, Mauritius, Mozambique, Namibia, Nauru, New Zealand, Nigeria, Pakistan, Papua New Guinea, Rwanda, Samoa, Seychelles, Sierra Leone, Singapore, Solomon Islands, South Africa, Sri Lanka, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Swaziland, Tanzania, Tonga, Trinidad and Tobago, Tuvalu, Uganda, United Kingdom, Vanuatu, Zambia. (Fiji was suspended from the Commonwealth in 2009). Cameroon, Canada, Dominica, Mauritius, Rwanda, Seychelles, St Lucia and Vanuatu also belong to the Francophonie.

countries, has focused on economic resilience building, in order to promote the ability of Commonwealth small states to cope with their inherent vulnerability. In 2008, the Commonwealth, in collaboration with the University of Malta, initiated a major project which has led to the development of a resilience index and resilience framework with near-universal applicability.

This project, initially piloted in St Lucia, the Seychelles and Vanuatu in 2008-2009, has sought to identify areas in which small states are most vulnerable; and to identify the specific gaps in their resilience framework, to help these countries cope with the inherent vulnerability. Collective experience among developing countries in the Commonwealth and the Francophonie has shown that building economic resilience emanates from good policy practices in a number of areas, including: macroeconomic stability; microeconomic market efficiency; good governance; social development and cohesion; and sound environmental management.

The Commonwealth/University of Malta resilience project is continuing, with further country vulnerability and resilience profiling initiatives scheduled for a number of countries, including Tonga and Lesotho. Within the Commonwealth, initiatives to promote resilient growth are also been pursued extensively, through several programmes in trade, finance and financial sector development, small states policy and sustainable environmental development in developing countries across the Commonwealth.

2.2 The Organisation Internationale de la Francophonie

The Organisation Internationale de la Francophonie represents one of the largest linguistic zones in the world. Its members share both a common language as well as the humanist values promoted by the French language.³ The OIF, or “Francophonie”, created in 1970 with its head offices in Paris, aims to embody the active solidarity between its 70 member states and governments (56 members and 14 observers), which together represent over one-third of the United Nations’ member states and account for a population of over 870 million people, including 200 million French speakers.

The OIF organises political activities and actions of multilateral cooperation that benefit French-speaking populations. Its actions respect cultural and linguistic diversity and serve to promote the French language, peace and sustainable development. In this regard, the IOF has concluded 33 cooperation agreements with international and regional organisations and has established permanent dialogue between the major international linguistic zones (the English, Portuguese, Spanish, and Arab-speaking zones).

³ The members of the OIF are Albania, Principality of Andorra, Armenia, Kingdom of Belgium, French Community of Belgium, Benin, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Canada, Canada-New-Brunswick, Canada-Quebec, Cape Verde, Central African Republic, Chad, Comoros, Congo, , Cyprus, Democratic Republic of the Congo, Djibouti, Dominica, Egypt, Equatorial Guinea, France, Gabon, Ghana, Greece, Guinea, Guinea-Bissau, Haiti, Ivory Coast, Laos, Lebanon, Luxembourg, Republic of Macedonia, Madagascar, Mali, Morocco, Mauritius, Mauritania, Moldova, Monaco, Niger, Romania, Rwanda, Saint Lucia, São Tomé and Príncipe, Senegal, Seychelles, Switzerland, Togo, Tunisia, Vanuatu, Vietnam. Many of these are Low Income countries, and some also belong to the Commonwealth Secretariat (Cameroon, Canada, , Cyprus, Dominica, Ghana, Mauritius, Saint Lucia, Seychelles and Vanuatu. Cameroon, Canada, Dominica, Mauritius, Rwanda, Seychelles, St Lucia and Vanuatu also belong to the Commonwealth.

During the Francophonie summit, held in Montreux, Switzerland in October 2010, members of the OIF pledged to strengthen economic solidarity with the countries most affected by the economic crisis and to promote the emergence of equitable global governance, taking into account the situation of most vulnerable states.

The francophone countries identified Small Island Developing States as being highly vulnerable and committed themselves to implement the Mauritius Strategy for the Sustainable Development of Small Island States. Members also called for reform of global economic governance through the strengthening of cooperation and complementarity between the UN and the G20; as well as for action to improve food security, financial regulation reform and promoting sustainable and inclusive economic growth.

At the Montreux Summit, the Francophone countries also reaffirmed their determination to continue their efforts to achieve the Millennium Development Goals by 2015 and to implement commitments made at the Summit on the MDGs held in New York from 20 to 22 September 2010.

3. BUILDING ECONOMIC RESILIENCE IN PSMV COUNTRIES

3.1 Challenges Confronting Developing Countries

Extensive evidence from the poorest, smallest and most vulnerable members of the Commonwealth and the Francophonie shows that these countries have experienced modest growth, often characterised by significant volatility. Several multi-country studies which examine long-term growth trends in developing countries confirm these observations, revealing that few have achieved sustained economic growth over a duration capable of building resilience and transforming their economies. For example, the Growth Commission (Commission on Growth and Development, 2008),⁴ identified a number of countries that attained high growth rates, and tried to find out the reasons for their success. Thirteen countries with an average growth rate of 7 percent or higher for 25 years during the post-war period were studied. These comprised Botswana, Brazil, China, Hong Kong, China, Indonesia, Japan, the Republic of Korea, Malaysia, Malta, Oman, Singapore, Taiwan and Thailand. Notably, only four among these comprise members of the Commonwealth and the Francophonie.

The findings of the Growth Commission represent particularly valuable insights in understanding the challenges confronting developing countries in building resilient growth. In describing its findings, the Commission considered five key ingredients contributing to sustained high levels of growth: (i) economic openness, which inter enabled successful countries to import ideas, technology and know-how from the rest of the world while at the same time exploiting global demand; and which spurred inward FDI and investment by multinational companies which in turn led to technological advance and the creation of export markets; (ii) economic stability, which was found to encourage investment, and leave room for manoeuvre when the economy is under pressure. Conversely, volatility and unpredictability were found to discourage private sector development and discourage savings; (iii) High rates of saving and investment (including public investment in infrastructure). The

⁴ The Commission was chaired by Michael Spence, and consisted of 22 leaders and policy-makers mostly from developing countries, academics and influential business persons.

Commission noted that had a high degree of inflation prevailed in these countries, wealth could have been redistributed from savers to debtors and would have possibly discouraged people from holding financial assets. In some cases direct measures to encourage or even enforce thrift were employed as in the case of Singapore and Malaysia; (iv) Reliance on a market system to allocate resources, , to provide price signals and encourage competitive participation by the private sector. The Commission argued that even in China and Singapore, where the political role of the government was very prominent, the administration was essentially laissez faire in the economic (though not in the political) sphere. There were government interventions, such as the provision of tax breaks, subsidized credit, direct lending and similar government led initiatives, but generally speaking these measures were not restrictive – on the contrary they often enhanced mobility in the factors of production, particularly labour, leading to the destruction of jobs with low productivity while creating more productive ones; and (v) Good governance, requiring sound institutions, to define property rights, enforce contracts and encourage fair trading. The Commission argued that the immaturity of these institutions is synonymous with underdevelopment. Growth also requires credibility and commitment in governance.

The Growth Commission also proposed a list of bad ideas, which would inhibit economic growth. These include subsidization of energy, artificial employment by the government, solving fiscal deficits by cutting public spending that yields large social returns in the long run, protecting inefficient firms, imposing price controls, ignoring environmental issues, neglecting the quality of education, underpaying civil servants, poor regulation of the banking system, excessive direct government control, and letting the exchange rate appreciate excessively before the economy is ready for the transition towards higher-productivity industry.

The findings of the Growth Commission have substantial validity across many developing countries of the Commonwealth and the Francophonie. Among the above five considerations in building resilient growth, evidence across the developing countries of the Commonwealth and the Francophonie has pointed to a particular set of challenges associated with macroeconomic stability: the presence of continuous volatility, with many of these countries also suffer from higher levels of volatility in growth rates; and that volatility has proved particularly harmful to the development prospects of these countries. The empirical evidence on both the relationship between volatility and low-income status and the relationship between volatility and economic harm is both substantial and persuasive. For example, in examining the relationship between GDP volatility and country income category, Winters et al (2010) reworked the study by North *et al.* (2009) on comparative growth patterns, using data for 184 countries, and generally confirmed the findings of North *et al.*, notably that growth in low income countries is more volatile than in all other country group of countries. This indicates that a major issue for low-income countries is not only achieving growth but also stabilising it.

Elsewhere, country evidence suggests that volatility can be induced by external factors as well as by internal factors (Raddatz, 2007). Small states tend to be inherently economically vulnerable to external shocks, although this is not always translated into volatility, due to good economic governance (Briguglio et al, 2009).⁵ However, low-income countries,

⁵ Briguglio et al (2006) labelled this reality the “Singapore Paradox” referring to the fact that although Singapore is highly exposed to external shocks, this small island state has managed to register high rates of economic growth and to attain a high GDP per capita.

including small states, may experience a high degree of instability due to civil-strife and inappropriate economic governance. Countries exposed to natural hazards can also experience a high degree of economic volatility, particularly small states located in the tropics.

Similarly, there is substantial evidence to show that volatile growth is both damaging to resilience building and when experienced in developing countries, is not automatically compensated for by episodes of high growth. Cordina (2004a; 2004b) argues that the harmful effect of a given negative growth rate is not cancelled by an equally positive growth rate, basing his arguments on neo-classical theory of diminishing returns to factor inputs. This is observed in the real world, as declines in real GDP of poor countries can have effects which are permanent or from which it is difficult to recover, even when these are followed by positive growth rates. For example a fall in aggregate incomes can lead to an increase in poverty leading to malnutrition, disease and possibly death. Volatility itself generates a climate of uncertainty and this may inhibit investment by the private and public sectors, possibly leading to lack of abandonment of business ventures and of infrastructural development which could have been realised in a more stable environment. Even in relatively advanced countries, GDP declines can lead to persisting unemployment through what is known as hysteresis.

3.2 The G20 and Growth with Resilience

At its 2010 Seoul Summit, the G20 adopted the Seoul Development Consensus for shared Growth; and initiated a nine-pillar development framework, mandating the G20 DWG to pursue specific work programme in each of nine specific aspects of development. Growth with resilience forms one among the G20 DWG's nine key pillars, and within this, the G20 DWG has identified two key action steps; supporting developing countries to strengthen and enhance social protection programmes; and facilitating the flow of international remittances.

Evidence across the Commonwealth and the Francophonie shows that deepened international efforts in both areas, including through strengthened South-South cooperation, will contribute meaningfully to helping the world poorest, smallest and most vulnerable countries to establish buffers against external shocks and contribute to much-needed support for aggregate demand during periods of protracted external crisis. Remittances represent a major source of counter-cyclical support for many developing countries in the two associations and finding ways to stabilise remittance flows and to augment these will serve to strengthen members' resilience during periods of external shock. Similarly, the global economic crisis transmitted directly to the social sectors in many Commonwealth and Francophonie developing countries, reducing household incomes, particularly among women-headed households, reducing school enrolments and eroding progress with both the education-related and health-related MDGs. Particularly acute challenges were confronted in many of the two association's small states, including those in the Pacific. The initiatives of the G20 DWG are therefore welcomed and should be pursued vigorously.

At the same time, evidence gleaned from developing countries across the Commonwealth and Francophonie has also pointed to the need in global decision-making for both a clearer and more detailed understanding of economic resilience; and the value in developing and implementing a systematic approach to identifying vulnerability and gaps in resilience at a country level.

3.3. Building Economic Resilience

Briguglio *et al.* (2006; 2009) defined economic resilience as the country's ability to cope with external shocks. Such resilience can be developed and managed as a result of deliberate policy. Briguglio *et al.* argued that the term economic resilience can be used in two senses respectively relating to the ability of an economy to (i) recover quickly from harmful external economic shocks; and (ii) withstand the effect of such shocks.

The ability of an economy to recover from the effects of adverse shocks is associated with the flexibility of an economy, enabling it to recover after being adversely affected by a shock. This ability will be severely limited if, for example, there is a chronic tendency for large fiscal deficits. On the other hand, this ability will be enhanced when policy tools can be utilised to counteract the effects of negative shocks, such as in a situation of a strong fiscal position, which would entail that policymakers can utilise discretionary expenditure or tax cuts to contrast the effects of negative shocks. This type of resilience is therefore associated with 'shock-counteraction.'

The ability to withstand shocks occurs when such shocks are neutered or rendered negligible. This type of resilience is possible when the economy has mechanisms in place to reduce the effects of shocks, which can be referred to as 'shock absorption'. For example, the existence of a flexible, multi-skilled labour force could act as an instrument of shock absorption, as negative external demand shocks affecting a particular sector of economic activity can be relatively easily met by shifting resources to another sector enjoying stronger demand

The authors have hypothesised that the variables that enable a country to build its economic resilience are the following:

1. macroeconomic stability;
2. market efficiency;
3. good political governance;
4. social development
5. environmental governance

It can be seen therefore that some of the common traits in the thirteen high-growth countries identified by the Growth Commission, are also associated with resilience by Briguglio *et al.* (2006). The reason for this is that these policies are not only conducive to sustained economic growth, but they also enable the economy to have room for manoeuvre when experiencing downside external shocks.

3.3.1 Macro-economic stability

In the context of economic resilience, macroeconomic stability relates to the interaction between an economy's aggregate demand and aggregate supply. If aggregate expenditure in an economy moves in equilibrium with aggregate supply, the economy would be characterised by internal balance, as manifested in a sustainable fiscal position, low price inflation and an unemployment rate close to the natural rate, as well as by external balance, as reflected in the international current account position or by the level of external debt. These can be considered to be variables which are highly influenced by economic policy. Briguglio *et al.* propose that the macroeconomic stability component of resilience can be measured by three variables, namely (i) the fiscal deficit-to-GDP ratio; (ii) the sum of the unemployment and inflation rates; and (iii) the external debt-to-GDP ratio. The variables are available for a

reasonably wide set of countries spread over a spectrum of stages of development, size and geographical characteristics.⁶

Fiscal deficit. The government budget position relates to resilience of a shock-counteracting nature. This is because a healthy fiscal position would allow adjustments to taxation and expenditure policies in the face of adverse shocks.

Inflation and unemployment. Price inflation and unemployment⁷ are associated with resilience or lack of it because if an economy has low levels of unemployment and inflation, it is likely that adverse shocks would not impose significant welfare costs on it. In this sense, therefore, unemployment and inflation are associated with resilience of a shock-absorbing nature.

External debt. The adequacy of external policy may be gauged through the inclusion of the external debt-to-GDP ratio. This is considered to be a good measure of resilience, because a country with a high level of external debt may find it more difficult to mobilise resources in order to offset the effects of external shocks. Thus, this variable would indicate resilience of a shock-counteracting nature.

3.3.2 Micro-economic market efficiency

If markets adjust rapidly to achieve equilibrium following an external shock, the risk of being negatively affected by such a shock will be lower than if market disequilibria persist. Indeed, with very slow or non-existent market adjustment, resources will not be efficiently allocated in the economy, resulting in welfare costs, manifested, for instance, in unemployed resources and waste or shortages in the goods markets. These considerations have important implications for shock-absorbing resilience.

Not many indicators of market efficiency are available which span a sufficiently wide range of countries as required for the purpose of this study. Following a search for suitable indicators, Briguglio *et al.* decided to use a component of the Economic Freedom of the World Index (Gwartney and Lawson, 2005), entitled ‘regulation of credit, labour and business’ which is aimed at measuring the extent to which markets operate freely, competitively and efficiently across countries. The index is designed to identify the effect of regulatory restraints and bureaucratic procedures on competition and the operation of markets.

Bureaucratic control of business activities tends to inhibit market efficiency as it limits competition and the operation of markets. This occurs, for example, when such activities retard entry into business or when prices are determined by dictat thereby discouraging private sector involvement. These actions impede the adjustment market to absorb shocks.

Similar considerations apply in the case of the labour market. Here interference relates to unduly high unemployment benefits (which could undermine the incentive to accept employment), excessive restrictions in dismissal regulations, minimum wage impositions, centralised wage setting and conscription. All these could preclude work effort, thereby limiting the ability of a country to recover from adverse shocks.

⁶ There are many similarities between the index of stabilizers proposed in IMF (2010) and the resilience indicators proposed in Briguglio *et al.* (2006).

⁷ The sum of these two variables is known as the economic discomfort index or economic misery index.

3.3.3 Good political governance

Good political governance is essential for an economic system to function properly and hence to be resilient. Governance relates to issues such as rule of law and property rights. Without mechanisms of this kind in place, it may be relatively easy for adverse shocks to result in economic and social chaos and unrest. Hence the effects of vulnerability to external shocks would be exacerbated.

There are various indicators of political governance (Curmi, 2009) including the World Bank index (Kaufmann *et al.*, 2009), which associates good governance with voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, the rule of law and control of corruption. An analysis of these indices would indicate that the highest rankings in terms of good governance tend to be associated with economic success in terms of GNI per capita (Curmi, 2009).

3.3.4 Social development

Briguglio *et al.* argued that social development is an essential component of economic resilience. This factor indicates the extent to which relations within a society are properly developed, enabling an effective functioning of the economic apparatus without the hindrance of civil unrest. Social development can also indicate the extent to which effective social dialogue takes place in an economy which, in turn, would enable collaborative approaches towards the undertaking of corrective measures in the face of adverse shocks.

Social development in a country can be measured in a number of ways. Variables relating to income, such as its dispersion and the proportion of the population living in poverty, the long-term unemployment rate (indicating the proportion of the population with low skills and inadequate employment prospects) and the proportion of the population with low levels of education, could be useful indicators. Still another possible approach would be to measure the number and extent of instances of industrial or civil unrest. These approaches are interesting but rather narrow in scope and very difficult to measure across countries. Briguglio *et al.* propose that the social development component of economic resilience can be measured by education and health indicators utilised to construct the UNDP Human Development Index (HDI).

3.3.5 Environmental management

Economic resilience can also be determined by a plethora of other factors apart from those mentioned above. It may be argued, for example, that it could be useful to consider the effects of environmental management in this regard. The environment can be an important source of economic shocks, principally as a result of rapid hazardous events, such as earthquakes, floods and tsunamis. Environmental management which is conducive to the development of renewable energy, energy efficiency, waste management can also reduce the impacts of shocks as good management improves room for manoeuvre when a country is faced by such shocks.

Environmental management is particularly important for adaptation to climate change impacts, which could potentially usher in catastrophic situations associated with, amongst other things, sea-level rise, health hazards and increased frequency of extreme events.

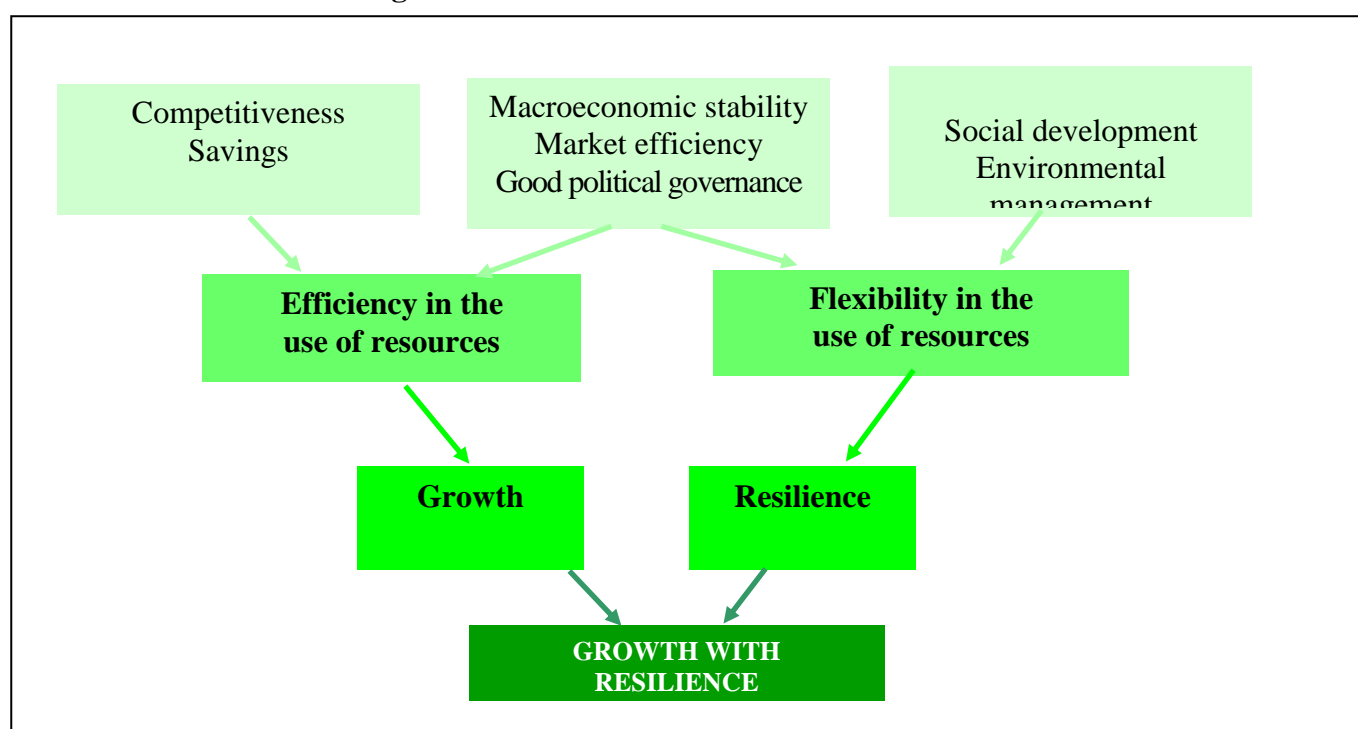
4. ACHIEVING GROWTH WITH RESILIENCE

4.1 A framework for Achieving Growth with Resilience

The application of the resilience index⁸ allows the identification of a number of traits or “ingredients” that are likely to lead to economic growth with resilience, all of which can be associated with good economic governance. However the emphasis of the two concepts is different, with economic growth being mostly associated with efficient use of resources while economic resilience is mostly associated with flexibility in the use of resources.

Figure 1 shows that, according to the arguments presented above, growth and resilience are the result of similar ingredients, namely macroeconomic stability, market efficiency and good governance (in line with the arguments put forward by the Growth Commission and by Briguglio *et al.*). The figure also shows that savings⁹ and competitiveness¹⁰ are associated with growth (in line with the arguments advanced by the Growth Commission) and social development with resilience (in line with Briguglio *et al.*).

Figure 1
The Ingredients of Growth with Resilience



⁸ Such an index was constructed by Briguglio *et al.* (2006).

⁹ There is some debate as to whether growth generates savings or vice-versa (Mohan, 2006), or whether developing countries are different from developed ones in this regard (Aghion, *et al.*, 2009). However, economic growth requires investment and these can either come from private savings or government sources, the latter derived from taxation, borrowing from local or foreign sources or foreign aid.⁹ Policy prescriptions to stimulate private savings include pension reform to through mandatory saving requirements (Bailliu, J.N and Reisen (2008), stable prices (Growth Commission, 2008), and financial liberalization (Hermes (2005). See also Loayza *et al.* (2000).

¹⁰ Although the Growth Commission did not highlight the issue of ‘competitiveness’ per se as underpinning the country’s successful outward oriented strategy, it is evident that such a strategy requires unrelenting pursuit of competitiveness to exploit global demand for that country’s exports.

A strategic framework which PSMV countries can use to attain growth with resilience would therefore seek to improve efficiency and flexibility in the use of resources, as shown in Figure 1.

4.2. Policy Prescriptions for Growth with Resilience

The arguments underlying Figure 1 is that the key ingredients for the attainment of growth with resilience were efficiency and flexibility in the use of resources, which presuppose competitiveness, savings for investment, good macroeconomic management, flexible markets and social development. In turn all these require technological capabilities and appropriate institutional set-ups, which lead to good economic governance.

The key challenge for PSMV countries in this regard is therefore is to put in place economic reforms that address all these key ingredients simultaneously.

The worst-case scenario for a PSMV country is stagnation coupled with instability, whereas the best outcome would be to attain growth with resilience, leading to stable growth. This can be attained if economic reforms are aimed at maximising the ingredients mentioned above.

It is suggested that a policy framework towards this end should set as priorities, the following objectives:

- trade stimulation and facilitation to enable PSMV countries to benefit further from the globalisation process in support for their pursuit for economic growth;
- human development in general and encouragement of entrepreneurship in particular, to sustain private sector development;
- improvement in market efficiency, so as to, as much as possible, allow price signals to influence quantity adjustment, thereby enabling the economies of PSMV countries to adjust to shocks speedily;
- technology transfer to enable these countries to have access to methods and processes that enhance efficiency;
- infrastructural development and management, which is needed to support economic growth and to strengthen these countries' adaptation to climate change and to other natural hazards;
- institutional capacity building to enable PSMV countries to promote good economic and environmental governance including the creation of appropriate regulatory arrangements

The implementation of such a policy framework requires strong political will and a clear understanding that stable growth is the best way for an PSMV countries to improve the welfare of its citizens. First and foremost the effort and the desire in this regard should come from the country itself, as the process requires domestic economic and institutional reform. However, the support of the donor community would improve the chances of success.

Note by Lino Briguglio:
I think that Figure 2 which you suggested should be removed was a good diagram for explaining this argument. See note at end of paper

Recent research on aid suggests that development aid does promote growth (Winters, 2010), but aid is not likely to lead to serious economic reform, particularly if such assistance leads to a culture of dependency and is not sustainable. Winters *et al.* (2010) argue that sustainability of aid has proved a major challenge and state that aid alone cannot be the answer to improving LICs' growth.¹¹

5. CHALLENGES IN ACHIEVING GROWTH WITH RESILIENCE

5.1 The Experience of Low Income Countries

Although developing countries face various challenges in their pursuit of economic development, many of them were not heavily adversely impacted by the severe recent recession. According to a recent IMF study (2010), the response adopted by many LICs “allowed vital spending to be preserved, in particular on social sectors and infrastructure, and helped mitigate the negative impact of the global crisis on economic growth and the poor”. The IMF paper showed that the LICs exposure to economic conditions in the rest of the world did result in external shocks, but their impact was mitigated by the stabilizers¹² which these countries applied during the downturn..

According to the IMF paper many LICs have embraced the concept of good economic governance and as a result have assigned importance to macroeconomic stability and are becoming more open and integrated into the global economy, “joining international capital markets, entering markets for goods and services, attracting foreign investment, nurturing their own private financial sectors, and benefiting from money sent home by citizens working abroad.”

Inevitably, this led to greater exposure to economic conditions in the rest of the world, and the 2008-2009 was therefore bound to affect LICs. The banking sector of LICs did not generally indulge in fancy and very risky financial dealings, and the financial crisis did not directly effect LIC. However, the recession that ensued did have an impact on all countries, even those with prudent and conservative financial operations, and as a result LICs experienced fall in export demand, foreign direct investment and remittances.

5.2 Case Studies of Four Developing Countries

This section very briefly presents four case studies of the progress and challenges experienced by four developing countries, namely Kenya, St Lucia, Djibouti and Ghana. No doubt there are other similar stories in this regard, but the four examples capture the major challenges faced by PSMV countries.

¹¹ Another issue relating to aid is moral hazard, that is situations where a country does not adopt the right policies that lead to good economic governance because the negative consequences of such are covered by donors. In some cases, bad governance may actually pay, as this may result in attracting more aid. Easterly (2002) argues that international agencies such as the International Monetary Fund and the World Bank may have made matters worse by establishing aid and loan programmes that often rewarded bad policies and political arrangements in those nations.

¹² The arguments proposed by Briguglio *et al.* (2006) are in line with the IMF paper and associate the ability of an economy to withstand external shocks with good economic governance.

5.2.1 Kenya

The role of macro stability is a process of achieving both internal and external balance as a precondition to structural adjustment. Like most developing countries the Kenyan authorities have done little to get their economy in macroeconomic balance over the years.

In 2010 economic activity rebounded driven by strong agricultural production and a dynamic private sector, this occurred after the IMF mission recommended that the government give priority to curbing inflation and strengthening the external position in response to a widening current account deficit.

The Kenya's economy is likely to grow by approximately 5.4% in 2011 supported by policies to promote financial inclusion even as inflationary pressures and insufficient rains still present risks to the economy.

The Kenyan authorities prepared a 2011/12 budget that reflects the authorities' commitment to gradual reducing its budget deficit over the medium term, while addressing the country's infrastructure needs and augmenting markets by government regulation aimed at counteracting market failure and providing a strong legal system for transactions.

The IMF mission recommended further financial reform aimed at bringing greater rewards to savers, reduce returns to investors who obtained access to rationed credit and improve returns to (mostly small) investors who have been excluded from rationed credit, through broadening financial inclusion and deepening financial markets which will be supported by improve banking supervision and enhanced regulatory frameworks.

Prospects for growth in 2012 remain strong based on continued investments in all sectors of the economy despite a weak shilling and uncertainty surrounding the upcoming general elections.

5.2.2 Saint Lucia

The tragedy of natural disasters such a Hurricane Tomas occurring in Saint Lucia in October 2010 sometimes dwarfs issues of macroeconomic management. But the adept management of an economy racked by disaster is essential to reduce the misery of suffering and displaced people and returning the economy to a sustainable path.

Hurricane Tomas created over US\$100 million infrastructural damage especially in the tourist based southern towns of Vieux Fort and Soufriere, which caused the death 14 persons (estimated), reduced the country capacity to produce food, export goods and services (especially tourism) and forced the Saint Lucian government to provide temporary social safety nets through the provision of food, transportation, health services and shelter against increasing expenditure and rising food prices.

While foreign governments and institutions provided aid to Saint Lucia through the granting of over US\$15 million zero-percent loans repayable in 35 years, effectively managing the economy is the primary responsibility of the local authorities, who through the shifting of expenditures so that a greater portion could go towards alleviating the impacts of the hurricane, while at the same time restricting the rise of total expenditures and containing

inflation, the authorities was able to return the economy to a path for growth in 2011 and beyond.

5.2.3 Djibouti

Situated in a strategic location connecting the Red Sea and the Gulf of Aden have given Djibouti an important economic advantage. After going through a civil war in 1991-1994, since then the country has undergone a major transformation which saw rapid economic growth and buoyant foreign direct investment (FDI). The improved macroeconomic stability was greatly aided by the steady political atmosphere that prevails. Its strategic location and political stability has attracted a surge of FDI mainly from the Gulf Cooperation Council countries.

Djibouti's economy is largely based on services sector, namely port services and tourism to a lesser extent. As regard to port services Djibouti offers services as both a transit port for the region and as an international transshipment and refueling centre.

Although Djibouti relies heavily on the economic situation of its regional partners, the country manages to weather the global financial crisis. Economic growth remains positive and strong with growth rate of 4.8% in 2009, only slightly below the 2008 figure of 5.8%. Major investment into capital-intensive projects and the decline in food and fuel prices in 2009 were the major factors contributing towards withstanding the global financial crisis. Similar growth rate was recorded in 2010 at 4.5%, despite a decline in FDI. The good economic performance in 2010 was attributed to private-sector activity and a rise in public sector investment. In addition, inflation remains under control, below 5%. While many countries saw deterioration in their external reserves, Djibouti recorded an increase from US\$217 million to US\$231 million, equivalent to about four months of imports.

Another area where Djibouti has made great stride is in the banking sector. This sector is now providing a range of services at competitive level. Islamic banking services, microcredit, consumer credit are among some of the services on offer. Furthermore access to financial services has been greatly facilitated since the opening up of the banking sector. As part of its longer-term economic vision, Djibouti is adopting a more liberalise approach of opening up its market to investment and international trade.

5.2.4 Ghana

Ghana sustainable economic performance despite the financial crisis in 2008-2009 was greatly aided by the stable political atmosphere that prevailed during the 2008 presidential and parliamentary election. In spite of the hotly contested election that saw the opposition (National Democratic Congress) party coming to power the atmosphere was calm hence facilitated a smooth change of power. This peaceful transition of government has earned Ghana great admiration and hailed as a model for Africa of a well-functioning democracy.

Although the global financial crisis had negative impact on the world major economies, its effect on the Ghanaian economy has been less severe. Prior to the global financial crisis, the food and fuel price shocks also have significant impact on the global economy and Ghana was not spared.

Despite the unfavourable economic climate, the macroeconomic performance of Ghana has remained fairly strong. Economic growth over the five-year period 2006-2010 averages about 5%. Although there has been a decline in GDP growth rate to 3.5% in 2009, but this rate is well above many other countries. The robustness to external shocks is attributed to the high prices for gold and cocoa exports and high official financial flows.

Although being classed as a low-income country, Ghana has a highly effective (wide coverage) social safety net system. The safety net system includes among others; conditional cash transfer, free education, school feeding, a national health insurance, a national youth employment programme.

6. RECOMMENDATIONS FOR THE G20 DWG

6.1 Two Actions of Major Importance under the “Growth with Resilience” Pillar

At the Seoul Summit, the G20 adopted a multi-year action plan, which included “growth with resilience” as one of nine pillars of focus. Under this pillar, two actions of major importance for developing countries were listed, namely social protection systems and international remittances. The successful outcome of these actions would enable PSMV countries to develop buffers that could enable them to withstand and cope with external shocks. These actions are therefore of major benefit to these countries, which comprise the least developed countries, African countries and fragile and conflict afflicted states and small states. The challenges faced by these groups of developing countries vary but they face common economic threats associated with their exposure to external and domestic economic shocks.

The G20 have a major role to play in assisting the PSMV countries to achieve growth with resilience. The evidence across Commonwealth and Francophonie members suggests that two further important steps can be taken by the G20 DWG to promote resilient growth in the world’s poorest, smallest and most vulnerable countries. These comprise:

3. An initiative to expand the country-focused vulnerability and resilience Profiling exercise launched by the Commonwealth; and
4. An initiative to finance programmes in these countries which foster resilient growth, through the creation of a Growth with Resilience Trust Fund (GRTF)

6.2 Expanding Country-Specific Vulnerability and Resilience Profiling

Own-country Vulnerability and Resilience Profiling exercises, conducted with the support of the Commonwealth since 2008 have provided countries with detailed country-specific information on their key vulnerabilities; and has revealed key gaps in their resilience building efforts. The G20 DWG can strengthen efforts to build resilient growth in the world’s poorest, smallest and most vulnerable countries through an initiative to progressively expand this tool, enabling developing countries to conduct own-profiling with regard to economic vulnerability and resilience. Such profiling would lead to assessments that could enable the countries profiled to (1) identify the causes and manifestations of economic vulnerability and (2) to assess and evaluate their policy frameworks in order to identify gaps in the countries ability to withstand external shocks.

A practical guide as to how the vulnerability/resilience profiling exercise can be carried out has been developed by the Commonwealth Secretariat in collaboration with the University of Malta (Briguglio et al, 2010). Such an exercise, and the reports that would be derived as a result of country profiling, can be adopted as part of the toolkit in an expanded profiling initiative; and can also serve as a valuable mechanism for the sharing of best practices in resilience building.

6.3 Creation of a Growth with Resilience Trust Fund (GRTF)

A second initiative which can be pursued by the G20 DWG in promoting resilient growth pertains to the creation of a new Growth with Resilience Trust Fund (GRTF). The GRTF could be managed by an appropriate IFI or another institution, with contributions from G20 members. The objective of the fund should be to encourage the poorest, smallest and most vulnerable countries to integrate further into the global economy, while at the same time taking measures to build their resilience against external and internal shocks. The Fund would focus on improving economic governance rather than humanitarian support or to correct for export shortfalls; and would therefore have a strong bias towards institutional and social development.¹³ The Fund would assist developing countries through grants and concessionary lending, as well as debt and interest forgiveness schemes

As discussed above, shocks can emanate from external and external sources, and the RTF should be directed at building resilience in the face of all types of factors that lead to volatility.

Building resilience relating to external shocks. The GRTF could support policy measures and institutional developments intended to strengthen to promote macroeconomic stability and market efficiency. Developing countries, which are to a high degree inherently exposed to external shocks, including small states, could be especially targeted in this regard.

Building resilience relating to internal shocks. The GRTF could also be available to LICs that experience civil unrest or are politically fragile, with the intention of strengthening their policy and institutional frameworks to withstand these shocks and to improve their political and economic governance. It should be stressed that in order to avoid moral hazard, funding to withstand shocks of domestic origin, would be subject to conditionalities so as to avoid the possibility of rewarding inappropriate macroeconomic policies, such as fiscal indiscipline, and the creation of conditions that lead to civil strife. The GRTF would therefore include appropriate surveillance and monitoring mechanisms to ensure that it is only utilised to promote good economic governance.

Building resilience relating to natural hazards. The GRTF would also be available to LICs that experience natural hazards such as earthquakes, cyclones, floods, tsunamis and other

¹³ There are a number of existing schemes that are aimed at compensating for export shortfalls or for high food prices, including the EU programmes (e.g. FLEX and V-FLEX), the IMF lending windows aimed the purpose (IMF, 2020), and the World Bank's IDA Crisis Response Window. The UN Global Pulse initiative aims to harness new data and emerging technologies to detect - in real-time - when populations are changing their collective behavior in response to crises, and is intended to establish an effective mechanism to monitor the impact of the crisis on the poorest and most vulnerable.

events that adversely affect the economies of LICs. Such assistance could for example be directed at developing early warning arrangements, strengthening infrastructure, devising building codes and other schemes that reduce the economic harm of natural hazards.

The GRTF can also be designed to address risks associated with climate change. Climate change has emerged as one of the most profound global challenges, inter alia because it has the potential to bring about catastrophic negative impacts associated with, amongst others , sea-level rise, health and increased frequency of extreme events. Climate projections generally identify sub-Saharan Africa, South Asia and Small Island States as likely to be highly impacted by climate change. These are countries with limited ability to cope with the negative impacts of climate change, such as adaptation measures. Facilities which help these countries mainstream or integrate adaptation to climate change in development plans, policies and projects, with no regrets or low regards adaptation measures can offer win-win options for impacted countries and for donors.

6.3 Developing a Practical Framework for Growth

A major objective of the G20 is to narrow the development gap and reduce poverty in order to achieve strong, sustainable and balanced growth and ensure a more robust and resilient global economy for all. (G20 Toronto Declaration, June 26-27, 2010).

The CS and OIF can help the G20 operationalise this objective by developing an implementable policy framework aimed at promoting sustainable growth in PSMV countries, with particular emphasis on:

- trade stimulation and facilitation;
- human development in general and encouragement of entrepreneurship in particular
- improvement in market efficiency
- technology transfer;
- infrastructural development and management;
- institutional capacity building.

The objectives of the components of the proposed policy framework have been explained above. Trade stimulation and facilitation should enable PSMV countries to participate more effectively and profitably in world trade. The Growth Commission (2008) identified an outward orientation as a major ingredient for growth.

The other components of the proposed framework are essential human and physical requirements for economic growth. Human development and encouragement of entrepreneurship are required for the development of a vibrant private sector, while speed in market adjustment is an important requisite for counteraction and absorbing shocks. Technology transfer would enhance the productive efficiency of PSMV countries, improving their chance to compete effectively in world trade. The upgrading of the physical

infrastructure and the institutional frameworks in PSMV countries is needed to support a sustainable growth strategy.

7. STRENGTHENING OUTREACH

A further recommendation to the G20 DWG focuses on encouraging a strong process of G20 DWG outreach in respect of its work on Growth with Resilience.

In the context of the extensive analytical, research, consensus-building and advocacy work already being conducted by the Commonwealth and the Francophonie, in the interests of their developing country members, the G20 DWG could consider developing an outreach initiative to coordinate the Growth with Resilience initiatives of the Commonwealth and the Francophonie, with the ongoing Growth with Resilience pillar of DWG work. This could allow for regular contributions by the two associations to the G20 DWG discussions on growth with resilience and would also enable the views of PSMV countries to be conveyed to the G20 in a structured manner. In addition this would allow the three organisations to further develop the country resilience profiling methodology described in this paper and piloted by the Commonwealth Secretariat. In this initiative, the Commonwealth and the Francophonie can contribute by working together to facilitate the integration of their growth with resilience initiatives with those supported by the G20.

In sum, through this approach, collaboration between the Commonwealth, Francophonie and the G20-DWG can strengthen collective efforts to address growth with resilience, through:

- *Outreach discussions.* Outreach discussions, held on an ongoing basis between the three organisations so as to coordinate their work to ensure that PSMV countries benefit effectively from the work of the G20.
- *Analytical work.* The three organisations can work together to develop analytical frameworks which can be used to assess and measure progress relating to growth with resilience and to identify appropriate reform roadmaps for PSMV countries; and
- *Implementation work.* The Commonwealth and Francophonie, whose members include both members of the G20 and PSMV countries are well placed to assist the G20 to the development of a framework for consistent and balanced consideration of issues commonly-agreed objectives through a template, overarching framework, guideline, principles or aspects of best practice of the “growth with resilience” pillar.

A collaborative initiative could commence with an initial brief meeting, to develop a programme of work, possibly including initiatives leading up to the G20 Summit meeting in Cannes, France, in November 2011. The Commonwealth and the Francophonie can supply a suggested template for such a meeting.

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ANNEX 1

EXPERT GROUP MEETING ON GROWTH WITH RESILIENCE

Proposed dates: 28 June 2011

Proposed venue: Cape Town, South Africa

DRAFT PROGRAMME

SESSION 1 - PILLARS OF GROWTH WITH RESILIENCE

Presentations on:

- Building resilience in the context of vulnerability through Macroeconomic stability, Market efficiency, Governance and Social development
- Innovation, diversification and technological catching up
- Inclusive growth strategies framework
- Strategies to benefit from and cope with the challenges of globalisation
- Harnessing the resources of the Diaspora
- Efficient allocation of land, labour and capital (including natural resources policies)

Discussion

SESSION 2 - COUNTRY EXPERIENCES

Presentations on:

- **Countries facing challenges** - small states, least developed countries, fragile and conflict-afflicted states and African economies
- **Success stories** - Botswana; Brazil; China; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; Malta; Oman; Singapore; Taiwan, China; and Thailand

Discussion

SESSION 3 - TOWARDS AN ACTION PLAN FOR STRENGTHENING THE ADVOCACY ROLE OF THE CS AND THE OIF IN THE WORK OF THE G20

Presentation on:

- How the G20 and development partners can collaborate in assisting developing countries to achieve growth with resilience
- A framework developing countries for sharing the success stories of countries
- The way forward

Discussion

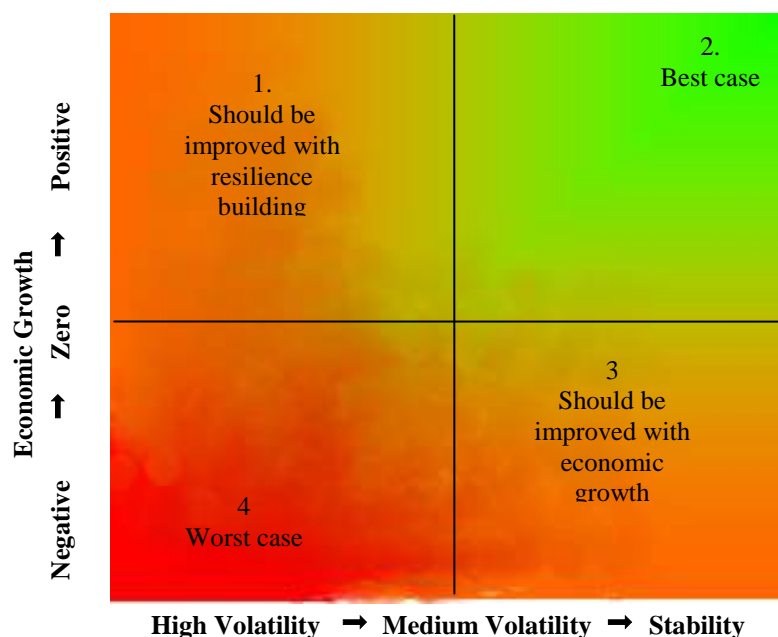
Note by Lino Briguglio

This could be retained, but if ComSec prefers not, it's Ok for me:

The key challenge for PSMV countries in this regard is therefore is to put in place economic reforms that address all these key ingredients simultaneously. Four scenarios may be proposed in this regard, as shown in Figure 2.

Figure 2

Growth with Resilience



The worst-case scenario for a PSMV country is stagnation coupled with instability (quadrant 4 in Figure 2). However stable stagnation (quadrant 3) and volatile growth (quadrant 1) both fall short of a desirable welfare outcomes for the populations of PSMV. The object of policy should therefore be to attain a place in quadrant 2, which is the best case, characterised by growth with stability, the latter requiring resilience building.

The “best case” situation can be attained if economic reform is aimed at maximising the four ingredients mentioned above. This requires strong political will and a clear understanding that stable growth is the best way for an PSMV to improve the welfare of its citizens.

